

House Energy & Technology Committee
November 7, 2007
Testimony of Gail Petersen, Secretary-Treasurer
Alger Delta Cooperative Electric Association

Mister Chairman, members of the committee, I want to thank you for the opportunity to testify before you today regarding the regulation of electric cooperatives. My name is Gail Petersen and I am a board member of Alger Delta Cooperative, headquartered in Gladstone. I have been a board member of Alger Delta since 2002. My cooperative, Alger Delta, provides reliable and affordable electric energy to more than 10,500 homes and businesses throughout the central U.P. and has been doing so for over 70 years.

I would like to talk to you today about the Cooperative Member Regulation Act. You and I have something in common—we were elected by citizens to do a job. You were elected to the state legislature to establish policy for the state of Michigan and I was elected to the board of directors of Alger Delta. And just like you, as a board member, I am directly accountable to the membership regarding the operations of Alger Delta and the actions we take.

One of our primary jobs is to hire a competent general manager to oversee the day-to-day operations of the cooperative and to evaluate his or her performance. The board is also responsible for establishing policy to guide the organization. Before the cooperative can adjust rates, make significant changes to its service rules, employee policies, or borrow money, the board has to review the proposal and give our approval. If we do our jobs well, the lights stay on, the rates stay affordable, and our employees go home every

day without injury. And when I say we are accountable to the members, it is not just when we stand for election every three years, it is practically every day. When there is an outage, or service problems, or when rates must be increased to cover costs, we hear about it from our members, just like you do. Fortunately, when things are going well we hear from members as well.

As a member and a director of Alger Delta, I am here to ask you to support House Bill 5383, the Electric Cooperative Member Regulation Act. This bill will provide the tools for the board of directors of an electric cooperative to truly become responsive to the membership. Each cooperative, acting independently, can decide for itself whether to stay under the jurisdiction of the Michigan Public Service Commission for rates and service rules, or become member-regulated and have rates and service rules established by the member-elected board of directors. We know that streamlining regulation will result in lower costs and a more efficiently run organization. A member regulated board can more quickly respond to economic changes without the delays of having to have every action reviewed and approved by the MPSC. The act, while allowing cooperatives to take control over their operations, still maintains safeguards and accountability. As has always been the case, members are free to elect different board members if they believe the current board members are not doing their jobs. Under the Act, if the members want the Michigan Public Service Commission to fully regulate their cooperative they can vote to overturn the board's action to become member regulated. Furthermore, a member-regulated board cannot adjust rates or make substantive changes to the rules of service without providing notice to the members and giving them an

opportunity to address the board before action is taken. And, any action taken must be done in an open board meeting and with a roll call vote. Cooperatives have a long history of operating in an open and transparent manner. The Member Regulation Act simply puts the ultimate control where it should be, not in Lansing, but in the hands of the electric cooperative members and the board of directors they elect. I would ask that you support the Cooperative Member Regulation Act. Thank you for giving me this chance to testify today and I would be happy to answer any questions you may have.

Gail Petersen

